



# How do we avoid being the 129<sup>th</sup> study?

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The opinions expressed in this presentation are those of the author

# SecDef's question



**“Why has there been little fundamental change in the department’s acquisition process despite the 128 different studies that have chronicled the ills of the procurement system?”**

**(Rumsfeld, Defense News, June 4-10, 2001)**

# Is the acquisition system really broken?

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- **By what standard?**
- **Who does it better?**
- **According to whom?**

# Acting Deputy Sec Def

## Gordon England\*

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- **"We just need to do something** in this arena - nothing is off the table"
- "Prices are going up, we need to improve performance, acquisition times are getting longer -- so **it's not working.** We have to understand why and correct the system."
- The review will "go back and even **look at the premise of Goldwater-Nichols** and even look at the involvement of the military in the acquisition process"
- **"What should the role of the whole military be?** Should they be in more of the acquisition? I don't know the answer to that but I think we should examine that."

\* U.S. Reviews Weapons Buying, Seeking To Control Costs  
Bloomberg.com, June 13, 2005

# What do the Chiefs think?



- **“True acquisition reform and better business practices [requires that] acquisition laws have to be changed because the [service chiefs] are excluded from the acquisition process.”**
- **“We should guard, in my judgment, against an acquisition community that becomes too isolated from the rest of us, and to make decisions independently without coming back to those of us who are responsible for organizing training and equipping the force.”**

General James L. Jones

Commandant of the Marine Corps

33<sup>rd</sup> Fletcher Conference on National Security Strategy and Policy (16 October 2002)

# Beyond Goldwater-Nichols

## Defense Reform for a New Strategic Era\*

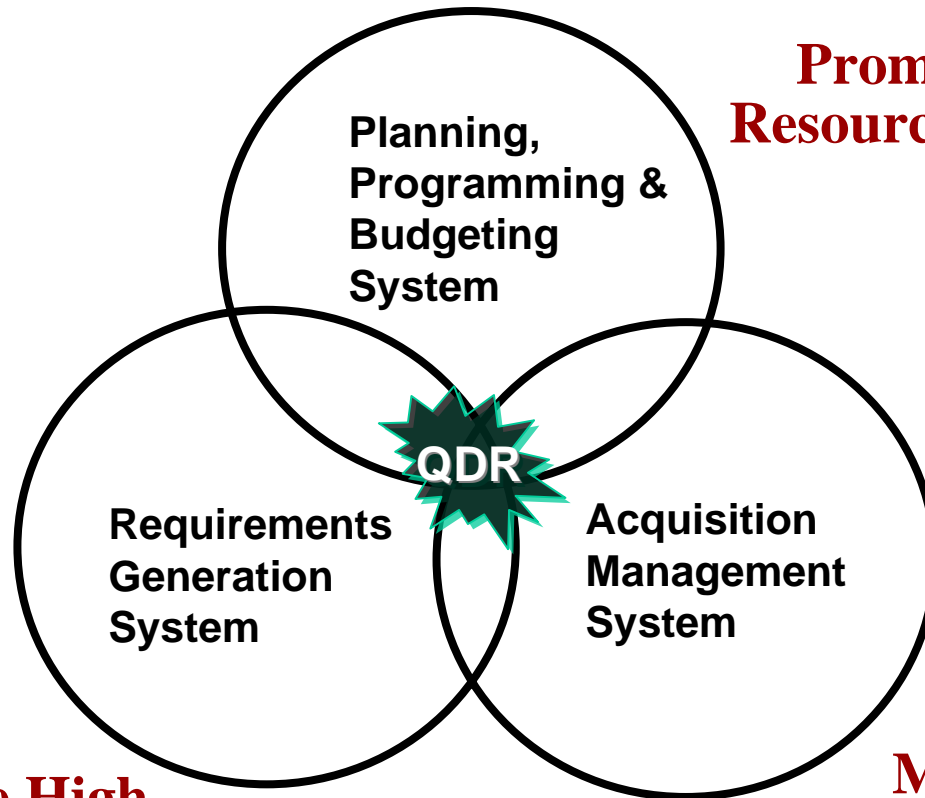


- **Despite repeated efforts at acquisition reform, weapons procurement is still too slow and costly.**
- **The Program Executive Officer (PEO) structure set up by Goldwater Nichols must be revisited.”**

\* Center for Strategic and International Studies, Phase 1 Report, March 2004

# GAO View

**“Process is not broken – It’s in equilibrium”**



**Promise Low  
Resource Demands**

**Everyone gets  
what they want**

- Congress
- Industry
- Warfighter

**Promise High  
Performance**

**Move Forward,  
Get Knowledge Later**

# Beyond Goldwater-Nichols:

## Phase 2 Report



- **Restore the authority of the Service Chiefs over the execution of acquisition programs.**
  - Service Chiefs responsible for acquisition execution and own PEOs/PMs
  - Service Secretaries provide civilian oversight supported by their with SAEs, who no longer report to USD (AT&L)



# A rush to judgment



- **BG-N1 says “revisit G-N”**
- **Chiefs say “change the laws” to put us back in the process**
- **DEPSECDEF says “look at the premise of G-N” and involvement of the military**
- **BG-N2 jumps on the bandwagon and says “restore the chiefs to primacy” in acquisition**

# More of the same?



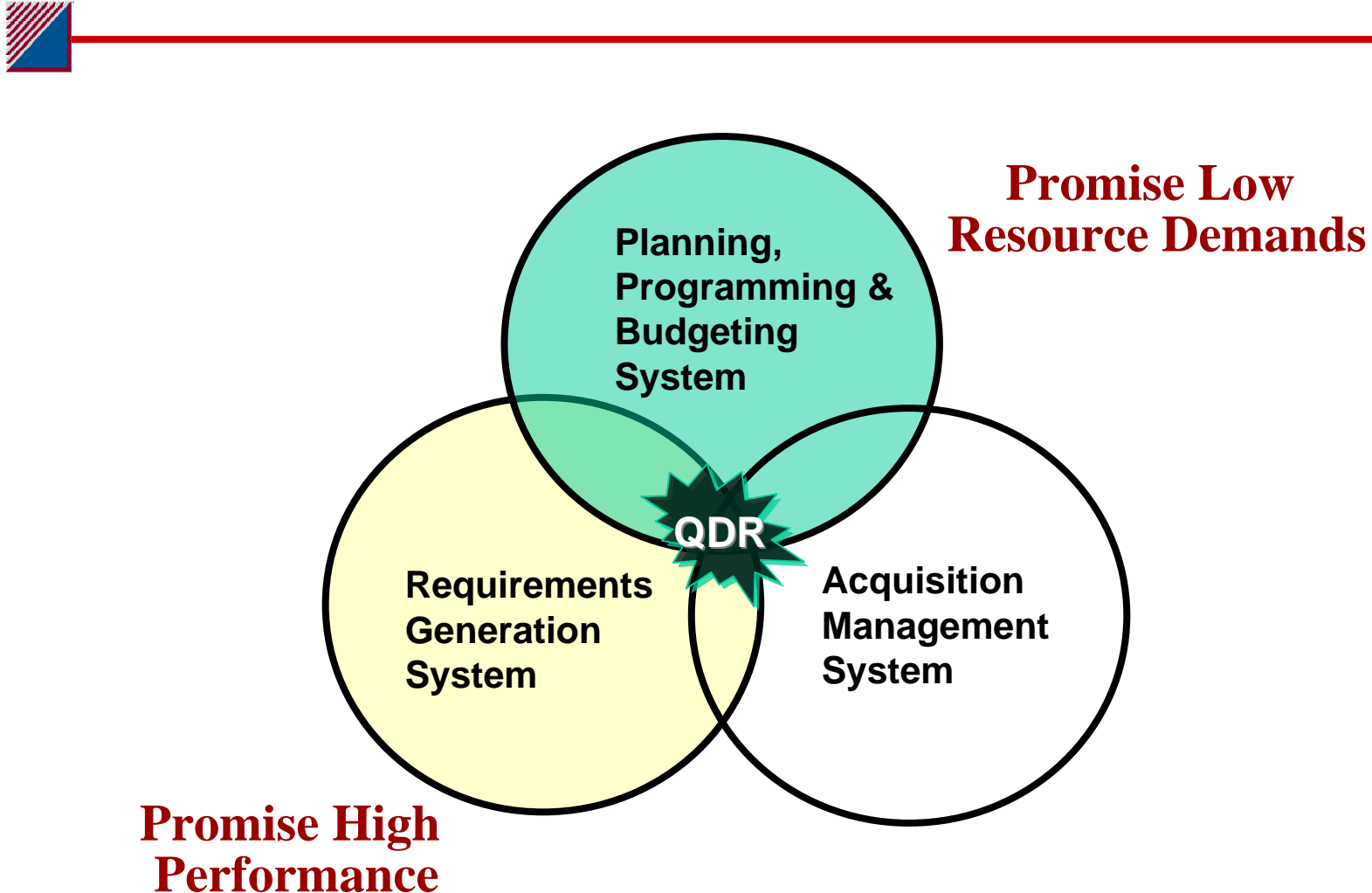
- **Are we about to be the 129<sup>th</sup> study without “fundamental change in the department’s acquisition process?”**

# No one stops to ask



- **How are the Chiefs doing with the two thirds of the decision process they control?**
- **Was Packard ever implemented?**
  - In an Acquisition context, G-N really means Packard

# How are the Chiefs doing?





**How has Packard  
implementation gone?**

# An Acquisition Model To Emulate Packard Commission



- “(Successful) commercial programs clearly represent the models of excellence we are seeking,
- ***but it is not obvious that DoD, or any large bureaucratic organization, can follow successfully the management procedures used in private industry.”***

# An Acquisition Model To Emulate

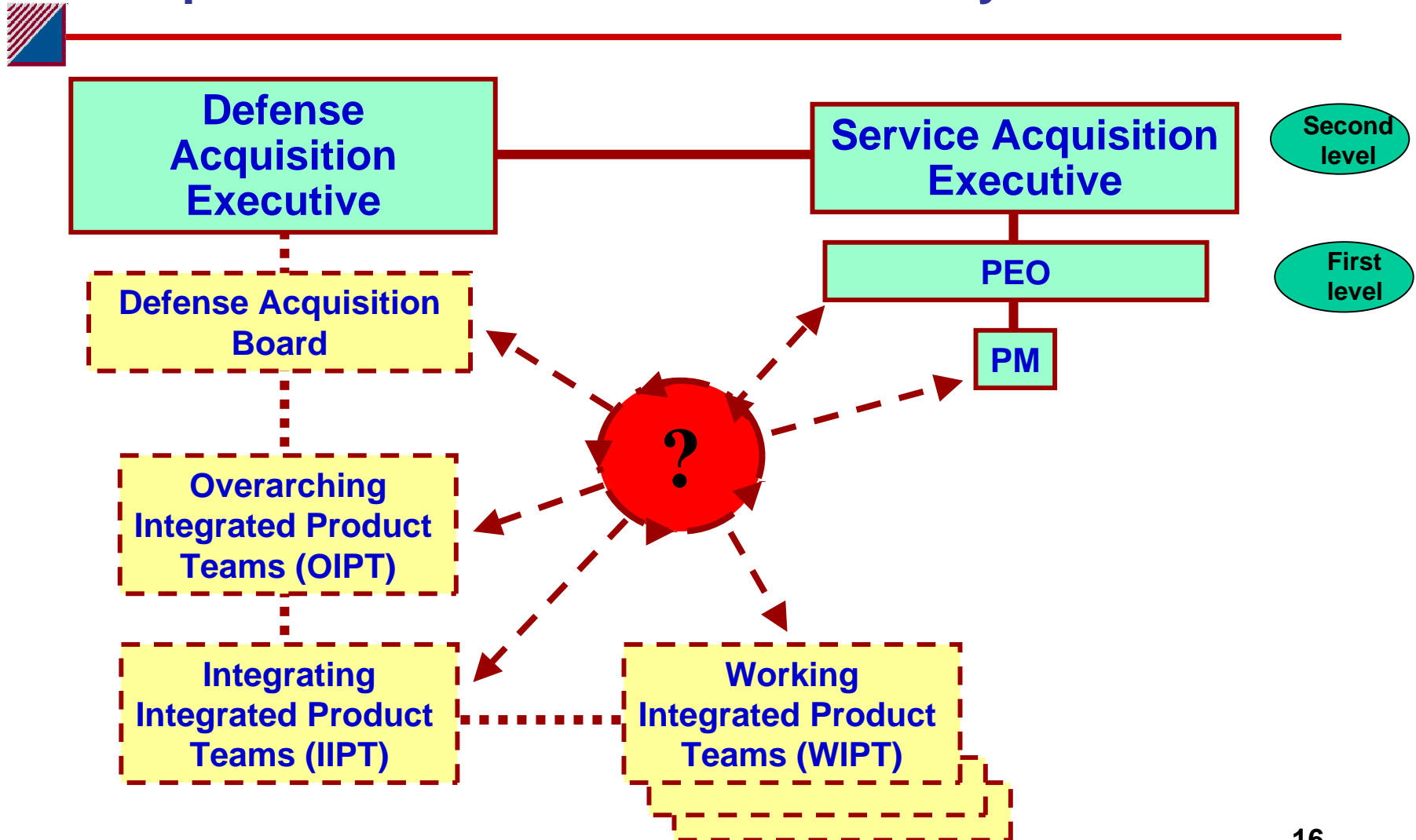
## Six features of successful commercial programs



- **Clear command channels**
  - Short, **unambiguous** chain of command to CEO, group general manager
  - Corporate interest groups, wishing to influence program actions, must **persuade** the responsible **program manager, who may accept or reject** their proposals
- **Limited reporting requirements**
  - **Program manager reports only to his CEO.**
  - **“Management-by-exception” basis, focusing on deviations from plan.**

# Oversight & Review

Comparison of Packard with current system \*





# Oversight & Review

DoD 5000.2-R, C7.6.2., April 5, 2002



- IPTs are an **integral part of the defense acquisition oversight and review** process.
- For ACAT ID and IAM programs, there are **generally two levels of IPT**: the OIPT and WIPT(s).
- **Each program shall have an OIPT and at least one WIPT.**
  - WIPTs shall focus on a particular topic such as cost/performance, test, or contracting.
  - An Integrating IPT (IIPT) (which is a WIPT) shall coordinate WIPT efforts and cover all topics not otherwise assigned to another IPT.
  - IPT participation is the primary way for any organization to participate in the acquisition program.

**What happened to two levels between PM and DAE?**

# An Acquisition Model To Emulate

## Six features of successful commercial programs (cont'd)



- **Stability**
  - Program manager enters into a fundamental agreement or “contract” with his CEO on specifics of performance, schedule, and cost
  - So long as a program manager lives by this contract, his CEO provides strong management support throughout the life of the program.
- **Small, high-quality staffs**
  - hand-selected by the program manager
  - spend their time managing the program, not selling it or defending it.
- **Communications with users.**
  - dialogue with the customer, or user, at the conception of the program when the initial trade-offs are made
  - maintains that communication throughout the program.
- **Prototyping and testing**
  - Find out what can be done and what it will cost BEFORE committing

# Intent of the Packard recommendations



- “to simplify the acquisition system by consolidating policy and oversight, **reducing reporting chains**, eliminating duplicative functions and excessive regulations, and establishing an environment in which program managers and their staffs can operate as centers of excellence.
- **This should allow for a substantial reduction in the total number of personnel** in the defense acquisition system to levels that more nearly compare with commercial acquisition counterparts.
- Eliminating a layer of management by moving the functions and people of that layer to some other layer clearly will not suffice.”



**Is Packard still a valid  
model?**

# An industry model for acquisition oversight (2002)

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- Big Five
  - Corporate (tier 1)
  - Business units (tier 2)
- 25 Industry interviews
  - CEO
  - CFO
  - President
  - VP
  - Senior Wall Street Aerospace & Defense analysts

# An industry model for acquisition oversight (2002)

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*“We don’t manage the operation,  
we direct it.”*

# Measurement Philosophy

## The Industry View

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- **Stay out of the details**
  - “We don’t manage the operation, we direct it.”—CFO
  - “In 1997, we (CEO & CFO) were tracking reams of data and we were doing poorly. We have been shifting from a product culture to a business culture over the last 3 – 4 years. As a result, for the year 2000 we were the second best performing company in the Dow.”—CFO
- **Set clear goals and objectives**
  - “What are you really trying to measure?”—CEO
  - “We measure results, not activity.”—CFO
  - “Need to measure OUTPUTS, not inputs.”—VP
  - “Doesn’t matter how hard you try, its the result that counts.”—VP

# Every manager must think like an owner

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- **“We have been shifting from a product culture to a business culture over the last 3 – 4 years.”—CFO**
- **“PMs are expected to be mini General Managers.”—CEO**
- **“Over the last few years, we have made a concerted effort to get managers at all levels to think like owners.”—CFO**
  - “We used to think primarily in terms of products. Not anymore.”
  - “Everyone is sensitized to think in terms of shareholder value.”
    - “That makes things like payment schedules just as important as technical requirements.”
- **“We are trying to get everyone to think like business owners.”—Exec. VP**



# Annual operating plans & balanced scorecards

PERFORMANCE MATRIX - 2001  
PROGRAM: XX Program Manager: Joe Smith  
Cum through Jun 01

Better than Plan  
Satisfactory  
Marginal  
Unsatisfactory

				SCORING CRITERIA (YTD Relative Performance to Plan)												
	Key Metrics	Description	% Weight	10 - Stretch	9	8	7 - Goal	6	5 *	4	3	2	1	YTD Performance	YE Projection	YE Goal
OP PLAN (45%)	Profit	% Perf to Plan	15.0%	120.0%	116.0%	112.0%	108.0%	104%	100%	96%	92%	88%	84%			
	Operating Earnings	% Perf to Plan	5.0%	120.0%	116.0%	112.0%	108.0%	104%	100%	96%	92%	88%	84%			
	Operating Margin	% Perf to Plan	5.0%	120.0%	116.0%	112.0%	108.0%	104%	100%	96%	92%	88%	84%			
	Cash Flow(On Op Earnings)	% Perf to Plan	5.0%	129.0%	123.0%	117.0%	112.0%	106%	100%	94%	88%	83%	77%			
	Revenue	% Perf to Plan	5.0%	100.0%	100.0%	100.0%	100.0%	97%	94%	90%	87%	84%	80%			
	Gross Inventory Turns	% Perf to Plan	5.0%	107.0%	104.0%	102.0%	100.0%	97%	94%	90%	87%	84%	80%			
	Key Program SPI/CPI	Perf to Plan	5.0%	10	9	8	7	6	5	4	3	2	1	8	8	7
BACKLOG (10%)	Orders	% Perf to Plan	10.0%	108%	105%	102%	100%	97%	94%	90%	87%	84%	80%	\$640M		
CUSTOMER SATISFACTION (20%)	CPAR	% Green or Better	5.0%	100%	100%	99%	98%	97%	96%	85%	80%	75%	70%	99%	98%	98%
	XX Deliveries on Time	% of deliverables	10.0%	100%	100%	100%	100%	97%	94%	92%	88%	84%	80%	100%	100%	100%
	Other Deliveries On Time	% of deliverables	5.0%	100%	97%	96%	95%	94%	92%	88%	84%	80%	76%	95%	95%	95%
QUALITY (15%)	Defect Reduction by XX Number	Major Products	5.0%	10	9	8	7	6	5	4	3	2	1	10	9	7
	Cycle Time Reduction	Critical Processes	5.0%	10	9	8	7	6	5	4	3	2	1	10	8	7
	CoRRS Reduction by XX Number	Cost of Rework, Repair & Scrap	5.0%	10	9	8	7	6	5	4	3	2	1	10	9	7
PEOPLE (10%)	Career Development	% of PDPs Completed	2%	100%	99%	97%	95%	93%	91%	89%	87%	85%	83%	95%	100.0%	100%
	Recognize & Reward	% of Personnel Recognized	2%	>35%	35%	33%	30%	28%	25%	20%	15%	10%	<10%	>35%	>35%	30%
	People Involvement	% Employee Satisfaction Survey Improvement	4%	6%	5%	4%	3%	2%	0%	-1%	-2%	-3%	-4%	0%	3%	3%
	Prog Mgmt Team Communication	Events-Town Halls/Round Tables	2%	10	9	8	7	6	5	4	3	2	1	9	10	7
100.0%																

2001 Trend:	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
YTD Score	7.9	8.4	8.6	8.7	8.2	8.7						
YE Projection	6.4	6.8	7.0	7.0	7.3	8.2						

Goal
7.0

\* Based on Year-End 2000 Performance Level

# Portfolio Reviews

## On site, business units

### Program Indicators

	2001 Sales Plan (\$M)	Cost	Schedule	Technical	Quality	Supplier Performance	Customer Satisfaction
Prog A	238	Y G G	G G Y	G G G	P P P	G G Y	G G Y
Prog B	22	G Y Y	P Y Y	P P P	B B B	P Y Y	B Y G
Prog C	81	G G G	G G G	P P P	B B B	B B B	B B B
Prog D	34	B B B	G G G	P P P	B B B	B B B	B B B
Prog E	22	B B B	G G G	P P P	B B B	B B B	B B B
Prog F	83	B B B	G G G	B B B	B B B	B B B	B B B
Prog G	80	P P P	G G G	P P P	P P P	P P P	P P P
Prog H	85	B B B	G G G	P P P	P P P	P P P	B B B
Prog I	128	B B B	B B B	P P P	P P P	P P P	P P P
Prog J	20	P P P	Y G G	P P P	B B B	B B B	B B B
Prog K	97	B B B	P P P	B B B	P P P	P P P	B B B

Legend: 
  B Exceptional 
  P Very Good 
  G Satisfactory 
  Y Marginal 
  R Unsatisfactory

Contract →    ← Outlook (3 mos)

↑  
 Plan

# Is it working?

## Aviation Week's Top Performing Companies 2001 - 2004



<u>COMPANY</u>	<u>RANK *</u> <u>2001/2004</u>	
• General Dynamics	1/1	⇒
• Northrop Grumman	7/5	↑
• Boeing	10/16	↓
• Raytheon	16/7	↑
• Lockheed Martin	18/8	↑
		7.4
		↑
		10.4

\* Out of 19 in "Large Company" category

# Top Performing Companies

Aviation Week & Space Technology, July 1, 2002



- **Effective Program Management Identified as a Discriminator \***
  - “Those who win a high percentage of award fees by completing projects on time and on budget take a much more **comprehensive business perspective of program management.**”
  - “The more successful ones **invest more in up-front processes**”
  - “**Effective program management will remain a major differentiator** between companies likely to bring a project in on time and on cost most of the time--earning the rewards that go with that level of success--from less competitive companies who consistently struggle with program execution”

\* Aviation Week On-Line  
<http://www.aviationnow.com/>

# Conclusions

## The Packard model is still viable

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- Recent practices appear to be consistent with the original Packard model.
- Current practices are focused on the **annual operating plan**
- Companies examined have generally improved **outcomes** since the 2002 examination
- Effective **program management is a key performance discriminator** in the current industry model



# DepSecDef's View

Gordon R. England, Naval War College, 12 Jun 2001.

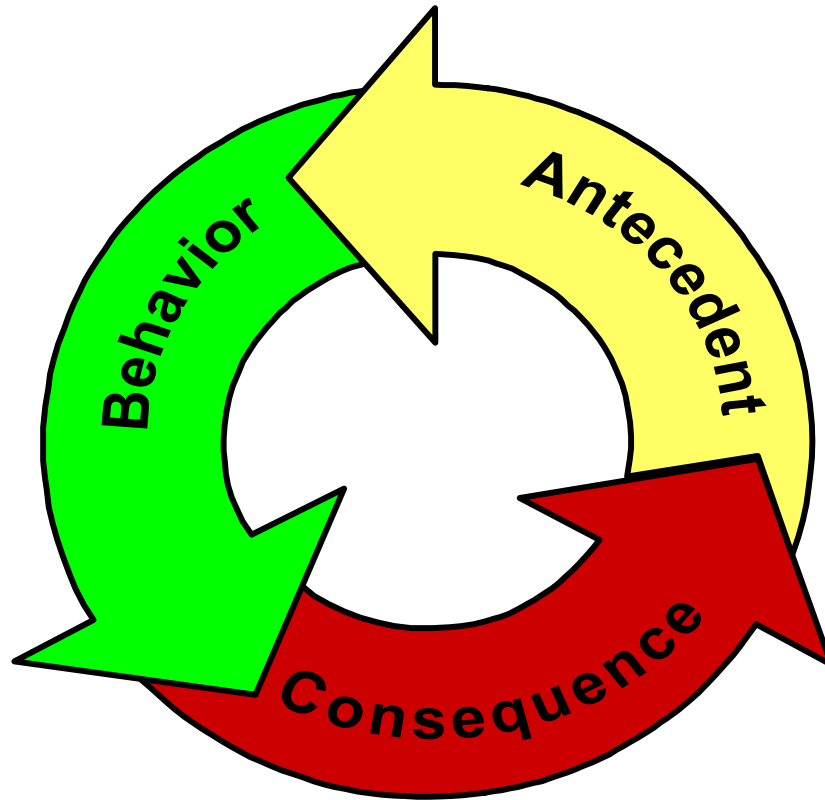


- **“DoD...is perhaps one of the last bastions of the Cold War's legacy of centralized planning and execution.**
  - Unfortunately, it is largely out of step with modern American management.”
- **“Our management team should be process-oriented,**
  - Working on ways to improve ‘how we do business’
  - Rather than concentrating only on specific programs and products.”
- **“To do that, we need to know**
  - Where we are and
  - Where we're going.”
- **“Measures and metrics provide that ability and, as such, will be a vital element of our process-oriented management strategy.”**

Gordon R. England, Secretary of the Navy. From a speech given at the Current Strategy Forum, held at the Naval War College, 12 Jun 2001

# What's missing?

Why so “little fundamental change?”



**Consequences**  
The missing element\*

\* Aubrey C. Daniels

# Essence of the answer to the SecDef's question

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- Why no change “despite the 128 different studies?”
  - Lack of accountability



# We hold people accountable in the operational world



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- **Top Officer Of Navy Air Wing Loses Command**

- One of at least 80 commanding officers in the Navy to lose his job since 1999 Fourteen commanders relieved of command in 2004
- 26 commanders lost their posts in 2003,
- Top Navy officials have said the service won't tolerate poor performance
- Adm. John Nathman, deputy chief of naval operations, said that commanding officers will be held to a higher standard

Norfolk Virginian-Pilot  
March 2, 2005

**Why do we seem to forget accountability when it comes to the business side of DoD?**

# This is not a new conclusion

## The “abiding cultural problem”

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- **A-12 Administrative Inquiry**
  - “The fundamental problem . . .
    - to create appropriate incentives
    - to enable senior leaders to rely upon responsible, **accountable** line managers”
  - “Unless means can be found to solve this **abiding cultural problem**, the failures evidenced in this report can be anticipated to occur again in the same or similar form.”

Chester Paul Beach, Jr.,  
28 November, 1990

# Accountability is the key to “fundamental change”



- Other than the “Beach” report, no “reform” recommendations have ever placed accountability on the table as an issue.
- If this issue is not confronted directly

**There will be NO “fundamental change in the acquisition process”**

**And we will continue to add to the SecDef’s “128 different studies”**

# Elements of the solution



**DoD needs a  
Strategic Management System  
for Acquisition Oversight**

# Current DoD Acquisition oversight model



- **Based on a lack of trust**
- **Substitutes “oversight” for accountability**

# Strategic Management System



- **A new process for communicating and evaluating progress in meeting the goals of the USD(AT&L)**

# BMMP Realignment Principles



- DoD Business Enterprise Clarity
- **Tiered Accountability**
- Horizontal Business Transformation Focus
- Business Alignment to Warfighter Needs
- Capabilities, not Systems, as Deliverables
- Clean Audit as Affirmation of Clean Processes
- **Program Management Discipline**

Paul Brinkley, Special Assistant to USD (AT&L) for Business Transformation  
Business Managers Conference, May 11, 2005

# Can't manage strategy with system designed for tactics



- **Strategic Management System**
  - Translates the DoD's mission and Secretary's vision into measurable performance indicators
  - Puts value on results
    - Is tailored to each accountable individual/organization
    - Focuses on near-term measurement of progress towards overall goal



# USD(AT&L)

Defense AT&L: January-February 2004 \*

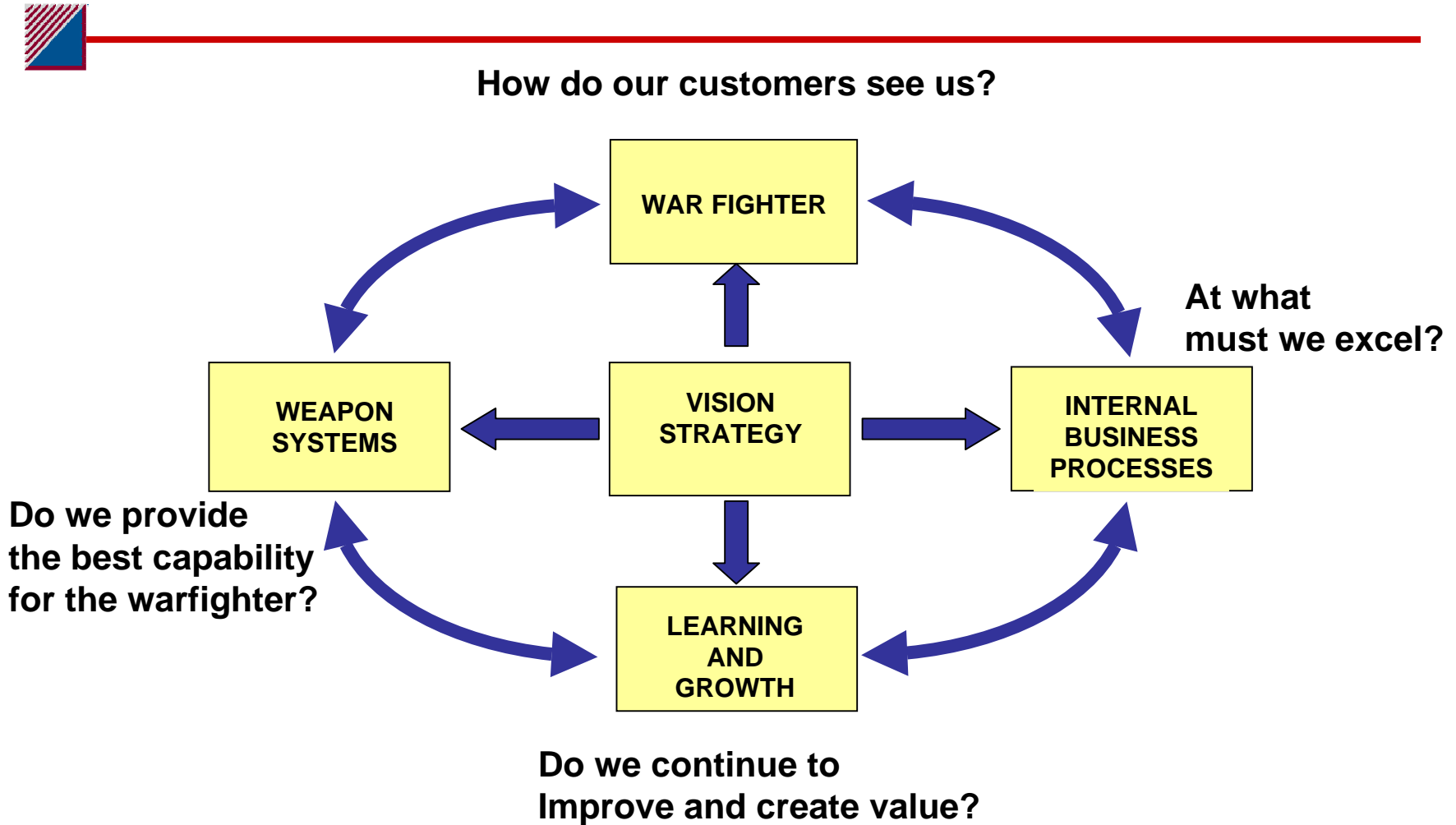


- **The balanced scorecard system:**
  - the what and why of metrics within the context of the DoD

\* Ken Krieg address to DAU faculty and students on transforming the processes and decision tools in the Department of Defense (DoD).

**“We measure everything, but by measuring everything and aligning nothing at senior levels, we really measure nothing.”**

# Balanced Scorecard



# BSC is not a “silver bullet”



- **BSC is only one aspect of the accountability issue**
  - Ensuring organizational clarity
  - Establishing expectations
- **It simply provides an objective basis for accountability**
  - And one that can easily deteriorate into another non-value added data collection effort with no associated management

# Accountability & the Acquisition workforce

## Uniformed & civilian



- **Make uniformed & civilian career progression dependent on meeting the needs of the Acquisition leadership chain all the way to AT&L**
  - Workforce career management needs to be realigned to nurture & reinforce an environment of excellence and accountability
    - Career management
      - Including succession planning
    - Enforcement of standards
  - NSPS is an opportunity
    - Well trained
    - Experienced
    - Mobile
    - Accountable

# Conclusion



- **Whatever the details**
- **If the accountability is not addressed**

**There will be NO “fundamental change in the acquisition process”**

- **The 129<sup>th</sup> study!**

# Old habit patterns persist



- “(A)n organization chart is not a company, nor a new strategy an automatic answer to corporate grief. We all know this; but like as not, when trouble lurks, we call for a new strategy and probably reorganize. And when we reorganize, we usually stop at rearranging the boxes on the chart. The odds are high that nothing much will change. We will have chaos, even useful chaos for a while, but eventually the old culture will prevail. Old habit patterns persist.”

Peters' and Waterman *"In Search of Excellence"*

# Its time to do something different



- “At a gut level, all of us know that much more goes into the process of keeping a large organization vital and responsive than the policy statements, new strategies, plans, budgets, and organization charts can possibly depict. But all too often we behave as though we don't know it. If we want change, we fiddle with the strategy. Or we change the structure.”

“Perhaps the time has come to change our ways.”

Peters' and Waterman “*In Search of Excellence*”